

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
MCI Communications Corporation)	File No. ISP-93-013
British Telecommunications plc)	
)	
Joint Petition for Declaratory Ruling)		
Concerning Section 310(b)(4) and (d) of)	
the Communications Act of 1934,)	
as amended)	
)	
MCI WorldCom, Inc.)	File No. ISP-PDR-19981021-00009
Petition for Declaratory Ruling)	

ORDER

Adopted: February 4, 1999

Released: February 17, 1999

By the Chief, Telecommunications Division:

1. On October 21, 1998, MCI WorldCom, Inc. (MCI WorldCom) filed a petition for declaratory ruling with respect to the reporting requirements imposed on MCI Communications Corporation (MCI) because of a 20 percent investment by British Telecommunications, plc (BT) in MCI.¹ MCI WorldCom argues that because of the merger of MCI and WorldCom, Inc. (WorldCom) and BT's subsequent redemption of its entire shareholding in MCI for cash, the reporting requirements imposed on MCI are no longer relevant, necessary, or in the public interest. We placed MCI WorldCom's petition on public notice on November 4, 1998. We received no comments.

2. In 1994, the Commission found that BT's 20 percent ownership interest, which when aggregated with existing non-BT foreign investment totaled 28 percent, was consistent with and permissible under Section 310(b)(4) of the Communications Act, as amended.² The Commission, however, also found that the transaction was "unique in light of the parties involved" and that therefore certain safeguards were needed to ensure that the parties did not engage in anticompetitive activities.³ These safeguards included reporting requirements that

¹ Petition for Declaratory Ruling of MCI WorldCom (filed Oct. 21, 1998) (Petition).

² In re Request of MCI and BT Joint Petition for Declaratory Ruling Concerning Section 310(b)(4) and (d) of the Communications Act of 1934, as amended, *Declaratory Ruling and Order*, 9 FCC Rcd 3960 (1994) (*BT/MCI I*).

³ At that time, on the U.K. end, BT was the dominant carrier in a duopoly for the provision of international facilities-based services, controlled 97 percent of the local termination points, and had the most fully developed long

required MCI to: (1) maintain complete records on provisioning and maintenance of network facilities and services it procures from BT and make those records available to the Commission upon request; (2) file monthly circuit status reports on the U.S.-U.K. route; (3) notify the Commission of additional circuits on the U.S.-U.K. route; (4) file quarterly reports of revenue, number of messages and number of minutes of both originating and terminating traffic on the U.S.-U.K. route; and (5) file copies of contracts, agreements, and arrangements with BT that relate to the routing of traffic and settlement of accounts on the U.S.-U.K. route. The Commission also imposed a requirement that MCI obtain a written commitment from BT not to offer or provide any special concessions to NEWCO, subsequently renamed Concert, relating to the provision of basic services.⁴

3. Since the Commission imposed the reporting requirements on MCI, there has been a substantial change in the relationship between MCI and BT. In 1996, BT and MCI entered into a Merger Agreement and Plan of Merger in which BT agreed to acquire the remaining 80 percent of MCI.⁵ On November 9, 1997, however, MCI and BT terminated their merger agreement, and BT agreed to acquire MCI's 24.9 percent interest in the Concert joint venture.⁶ Contemporaneously, MCI entered into a new merger agreement with WorldCom, and WorldCom agreed to acquire BT's 20 percent interest in MCI.⁷ On September 15, 1998 the transaction between MCI and WorldCom was executed.⁸ Thus, the "unique nature and details"

distance network to which interconnection was essential for the distribution of international traffic. On the U.S. end, MCI was the second largest interexchange carrier and international service provider in the market, and, as such, maintained a significant U.S. customer base. Also, the Commission was concerned that BT's 20 percent interest in such a major carrier, coupled with its participation on MCI's Board of Directors, may provide BT with the incentive both to discriminate in favor of MCI and to influence the corporate decision-making process of MCI. In addition, BT and MCI had jointly created NEWCO which, at least initially, would develop and market enhanced service products. BT and MCI would then exclusively distribute NEWCO's enhanced service products, which, for their successful provisioning, might require access to the basic services network controlled by BT in the United Kingdom. Finally, the Commission noted that BT would rely upon its 20 percent investment in MCI as a primary source of revenues from the U.S. telecommunications market. *Id.* at 3967.

⁴ See *id.* at 3973.

⁵ See In the Matter of The Merger of MCI Communications Corp. and British Telecommunications plc, *Memorandum Opinion and Order*, GN Docket No. 96-245, 12 FCC Rcd 15351 (1997).

⁶ Letter from Mary L. Brown, MCI and James E. Graf II, President, BT North America Inc. to Ms. Magalie R. Salas, Secretary, FCC, GN Docket No. 96-245 (dated Dec. 23, 1997); Memorandum of the United States in Response to Motion of MCI WorldCom, Inc. and British Telecommunications plc for Judgment Terminating the Modified Final Judgment, Civil Action No. 94-1317 (TFH) at 4 (D.C. Cir., Dec. 23, 1998) (Memorandum).

⁷ In the Matter of Application of WorldCom, Inc. and MCI Communications Corporation for Transfer of Control of MCI Communications Corporation to WorldCom, Inc., *Memorandum Opinion and Order*, CC Docket No. 97-211, FCC 98-225 (rel. Sept. 14, 1998); Petition at 2 (stating that BT redeemed its entire shareholding interest in MCI for cash).

⁸ Memorandum at 4.

of the alliance between MCI and BT no longer exist because BT has no equity interest in MCI or MCI WorldCom. In addition, neither MCI WorldCom nor MCI has any equity interest in the Concert joint venture. We, therefore, find that the reporting requirements imposed on MCI because of BT's investment are no longer in the public interest and remove them.⁹

4. Accordingly, IT IS ORDERED that MCI WorldCom's request, File No. ISP-PDR-19981021-00009, IS GRANTED.

5. IT IS FURTHER ORDERED that all reporting requirements imposed on MCI as a result of BT's 20 percent investment in MCI, as specified in *BT/MCI I* at ¶¶ 64-71, do not apply to MCI WorldCom.

6. This Order is issued under Section 0.261 of the Commission's rules, 47 C.F.R. § 0.261, and is effective upon release. Petitions for reconsideration under Section 1.106 or applications for review under Section 1.115 of the Commission's rules, 47 C.F.R. §§ 1.106, 1.115, may be filed within 30 days of the date of public notice of this order (see 47 C.F.R. § 1.4(b)(2)).

FEDERAL COMMUNICATIONS COMMISSION

Rebecca Arbogast
Chief, Telecommunications Division
International Bureau

⁹ MCI WorldCom's provision of service on the U.S.-U.K. route remains subject to the generally applicable reporting requirements for non-dominant international carriers. *See, e.g.*, 47 C.F.R. §§ 43.51, 43.61, 43.82, 63.14, and 63.15.